

Message Text

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ACTION EUR-12

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O 251209Z AUG 78
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC IMMEDIATE 2309
DEPT OF TREASURY WASHDC IMMEDIATE

UNCLAS BUDAPEST 3445

TREASURY FOR MARCIA FIELD

E.O. 11652: N/A
TAGS: EFIN, HU
SUBJECT: U.S.-HUNGARIAN CONVENTION FOR AVOIDANCE OF DOUBLE
TAXATION

1. FOLLOWING IS TEXT OF TREASURY'S DRAFT PRESS RELEASE ON
INITIALLING OF SUBJECT CONVENTION:

BEGIN TEXT

UNITED STATES AND HUNGARY REACH TECHNICAL AGREEMENT ON
PROPOSED INCOME TAX TREATY

THE TREASURY DEPARTMENT TODAY ANNOUNCED THAT
REPRESENTATIVES OF THE UNITED STATES AND HUNGARY HAVE
REACHED AGREEMENT AT THE TECHNICAL LEVEL ON A PROPOSED
INCOME TAX TREATY BETWEEN THE TWO COUNTRIES. THE TWO
DELEGATIONS WILL SUBMIT THE PROPOSED TEXT TO THEIR
GOVERNMENTS FOR THE NECESSARY REVIEW PRIOR TO SIGNATURE.

THE PROPOSED TREATY WILL BE THE FIRST SUCH TREATY
CONCLUDED BETWEEN THE UNITED STATES AND HUNGARY. IT IS
INTENDED TO FACILITATE ECONOMIC AND COMMERCIAL RELATIONS
BETWEEN THE TWO COUNTRIES BY REMOVING INCOME TAX OBSTACLES
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TO SUCH RELATIONS. THE PROPOSED TREATY WILL CLARIFY THE
RULES GOVERNING INCOME TAX JURISDICTION, AND WILL PROVIDE
FOR ADMINISTRATIVE COOPERATION BETWEEN THE TAX AUTHORITIES
OF THE TWO COUNTRIES TO AVOID DOUBLE TAXATION OF INCOME.

THE PROPOSED TREATY BETWEEN THE UNITED STATES AND
HUNGARY IS SIMILAR TO AGREEMENTS CONCLUDED BY THE
UNITED STATES WITH POLAND AND ROMANIA, AND TO THE MODEL

DRAFT TREATY PUBLISHED BY THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) IN JANUARY 1977. THUS, IT PROVIDES RULES FOR THE TAXATION AT SOURCE OF BUSINESS, INVESTMENT, AND EMPLOYMENT INCOME, SPECIFIES THE METHOD TO BE USED BY THE RESIDENCE COUNTRY TO AVOID DOUBLE TAXATION, GUARANTEES NONDISCRIMINATORY TREATMENT AND PROVIDES FOR MUTUAL CONSULTATIONS TO RESOLVE ANY PROBLEMS WHICH MIGHT ARISE IN IMPLEMENTING THE TREATY AND AVOIDING DOUBLE TAXATION. END TEXT

2. HUNGARIAN MINISTRY OF FINANCE FOUND NO PROBLEMS WITH RELEASING ABOVE TEXT. EMBASSY RECOMMENDS THAT TREASURY ISSUE DRAFT PRESS RELEASE.

3. FOLLOWING IS TEXT OF AUGUST 24 HUNGARIAN MINISTRY OF FINANCE PRESS RELEASE.

BEGIN TEXT

HUNGARIAN-AMERICAN TAX NEGOTIATIONS

THE EXPERTS OF THE HUNGARIAN MINISTRY OF FINANCE AND THE TREASURY DEPARTMENT OF THE UNITED STATES CARRIED ON NEGOTIATIONS ON THE AVOIDANCE OF DOUBLE TAXATION IN RESPECT OF INCOME TAXES. ON 24TH AUGUST, AS A RESULT OF THE NEGOTIATIONS, THE HEADS OF THE DELEGATIONS INITIALLED THE CONVENTION. THE TWO DELEGATIONS WILL SHORTLY SUBMIT THE CONVENTION TO THEIR GOVERNMENTS TO GET READY THE TEXT

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FOR SIGNATURE. THE AIM OF THE CONVENTION IS TO PROMOTE THE DEVELOPMENT OF THE ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. BUDAPEST, THE 24TH AUGUST 1978. END TEXT

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